City of Rio Rancho FY2012 Mid-year Budget Review January 25, 2012 Executive Summary

Overview. The mid-year budget review provides the City with an opportunity to adjust the fiscal year budget for changes in projected revenue and expenditure levels that may have occurred since initial adoption. Those changes are contained in this document which is divided into five sections: Executive Summary, Summary Information, General Fund, Special Funds, and Enterprise Funds. The General Fund, Specials Fund, and Enterprise Fund sections contain detailed justification for each recommended change.

The Fiscal Year 2012 mid-year budget has relatively insignificant adjustments, reflecting an economy that is experiencing a slow, but steady recovery, and reflective of recent efforts to achieve a sustainable long-term budget. The New Mexico employment market has shown signs of life, adding 6,700 jobs over the past year, a growth rate 0.8 percent. The educational and health services sector is by far the strongest sector in our region, with retail trade, wholesale, mining, financial activities, and leisure and hospitality sectors all adding over 1,000 jobs in the past year. The construction and government sectors continue to lose jobs. The Albuquerque Metropolitan Statistical Area unemployment rate fell to 6.9 percent as of November 2011 from 8.8 percent one year ago, and remains well below the national rate of 8.6 percent.

The housing market continues to be a drain on the recovery. Single family housing starts in Rio Rancho remain at record lows, with a total of 301 single family starts reported in 2011 and foreclosures remain elevated. While this translates to lower revenue estimates for certain development-related revenues, it does not have a significant negative impact on City finances as it did in past years. The more stable budget situation can be attributed to various measures taken by the Governing Body to attain financial sustainability. These include multi-year budget planning, setting aside into General Fund reserves non-recurring revenues, such as construction revenues from the two hospitals, allocating resources strategically through service prioritization, shop local initiatives, and enhancing revenue collections. These ongoing actions will help the City's finances through subpar growth revenue anticipated in Fiscal Years 2013 and 2014.

GENERAL FUND

General Fund Revenues: In total, I am recommending a net revenue increase of \$631,774, a 1.1 percent increase. This incorporates adjustments to the following revenues:

<u>Property Tax Revenue:</u> An increase of \$238,497 in Property Tax revenue is based on the property tax certificate received from the Sandoval County in September.

Gross Receipts Tax Revenue (GRT): An increase of \$300,000 is proposed in Gross Receipts Tax revenue. Hospital construction revenue was strong during the first quarter of the fiscal year and those revenues are beginning to slow. Revenue from services and retail activity continue to show strength, while housing construction related revenues remain low.

<u>Franchise Fees:</u> A net increase of \$138,810 is proposed. The largest portion of the proposed change is PNM electric franchise fees with an increase of \$188,314 resulting from the fully implemented rate increases beginning in August 2011.

<u>License and Permit Fees:</u> A net decrease of \$115,000 is proposed. Included in this group of fees is Paving Cut/Right of Way (ROW) permit revenue. The budget for this revenue source is being decreased by \$110,000 for reduced ROW permit revenues due to lower than anticipated projects permitted.

<u>State Shared Taxes:</u> The increase of \$15,032 is primarily resulting from auto license fee revenue received from the State of New Mexico.

General Government Revenue: This group of revenues is being reduced by \$88,000 which includes construction related revenues (\$43,000) and MVD administrative fee reductions (\$45,000) due to lower than anticipated activity.

<u>Public Safety Revenue</u>: A net decrease of \$258,000 is proposed. This includes a decrease of \$300,000 in the ambulance revenue estimate due to slower collections commonly seen in these economic times. In addition, Medicare laws require the City to write off unpaid balances (amounts remaining after Medicare is paid). These write off amounts have increased, partly due to the larger difference in City ambulance tariffs and the Medicare rate schedule.

<u>Cultural Enrichment Revenue:</u> The total increase adjustment proposed is \$12,876 primarily resulting from better than anticipated outdoor and indoor pool revenues.

<u>Fines and Forfeitures</u>: Year to date activity has been strong and an increase of \$65,500 is recommended.

Reimbursement Revenue: An increase of \$294,500 in reimbursement revenues is proposed. The increase is resulting primarily from a wild land fire reimbursement of \$250,000 received early in the fiscal year. The City receives compensation for personnel time and use of city equipment when responding to wild land fires.

<u>Miscellaneous Revenue</u>: The total upward adjustment of \$48,078 results from a \$25,000 legal settlement, an IRS refund, and other miscellaneous revenues.

<u>Transfer from Other Funds:</u> Decrease of \$20,519 includes:

• A \$12,621 decrease resulting from lower administrative fees that are charged to Impact Fee Funds. This administration fee is calculated at 3 percent of the impact

fee revenue. Due to the fact that impact fee revenue projections are being reduced, the City must also reduce the related administrative fees.

• A \$7,898 decrease is proposed to reallocate Rio Transit revenue from a transfer line item to a miscellaneous revenue line item (net effect is zero).

General Fund Expenditures:

<u>Personal Services:</u> The net increase to the General Fund Personal Services budget is \$57,119 which includes, among other items, an increase in unemployment insurance costs, small adjustments to overtime, and increase in on-call pay that was not included in the original budget request.

Materials & Services: The net increase of \$197,590 includes various increases and decreases. Changes include increases to various utility expenditures, out of pocket banking charges, indoor aquatics equipment purchase, snow removal equipment, and custodial supplies. Decreases were made in insurance and gasoline.

<u>Capital Outlay:</u> The increase of \$48,227 results partially from the purchase of snow removal equipment and to expenditures to equip Fire\Rescue Station 7.

General Fund Transfer to Other Funds:

- Increased transfer of \$48,504 to Promotions Fund in order to start purchasing and planning for the annual Pork & Brew event.
- A transfer to the Recreations Development Fund was made to correct revenues in the amount of \$19,057 which was receipted into the General Fund in error.

SPECIAL FUNDS

The following list of funds includes the most significant adjustments:

<u>Recreation Activities Fund (#206):</u> Decrease unreserved ending fund balance to increase expenditures for grader and laser kit for Sports Complex fields \$16,508.

<u>Promotions Fund (#224):</u> Increase revenues and expenditures by \$181,054 to fund the Pork and Brew event.

Rio Vision Cable Fund (#226): Decrease unreserved ending fund balance by \$15,780 to offset a reduction of revenue projection and increase expenditures in Edit House services by \$7,400.

<u>Driving While Intoxicated (DWI) Program Fund (#256):</u> An increase is proposed to reflect grant revenue received from the state. The proposed project expenditure is pending state approval.

Environmental GRT Tax Fund (#260): Decrease unreserved ending fund balance by \$16,793 and transfer revenue from other fund (placed there in error) to increase the Montoyas sewer line project.

Municipal Road Fund (#270): Reduce the ending fund balance and expenditures to offset the reduction of the revenue projection by \$94,000 and increase vehicles and heavy equipment to purchase a crack seal machine for road repairs by \$48,000.

Building Improvement/Replacement Fund (#313): A transfer of funds from contracts and other services to repair or replace roofs in several municipal buildings in the amount of \$20,000 and in capital projects by \$20,000 to improve heating system of the aquatic center pool.

Special Assessment District (SAD) 7A Project Fund (#324): SAD project is completed and remaining balance in this fund needs to be transferred to the debt service fund #364 (\$33,981).

2006 GO Bond Construction Aquatic Center Fund (#328): To use the cash balance in this fund to improve heating system of the aquatic center pool in the amount of \$6,568.

Impact Fee: Roads (#351), Bikeways/Trail (#352), Parks (#353) and Drainage (#355): Decrease impact fee revenues and projects due to continued economic conditions affecting residential construction activity.

Impact Fee Public Safety Fund (#354): A decrease is proposed in the balance of the Vista Hills Fire\Rescue Station Seven project to fund a chassis replacement for the wild land fire truck in the amount of \$20,955.

GO Bond Debt Service Fund (#401): Decrease unreserved ending funds balance to reflect actual 2011 property tax certificate by \$1,106,261.

Gross Receipts Tax Investment Policy (GRIP) Fund (#730): Increase expenditures for the Premiere Realty LP GRIP agreement by \$150,933.

WATER AND WASTEWATER UTILITY FUNDS

Utility Fund Revenues: I am recommending an increase in revenues of \$641,200. This increase is primarily due to the following:

- increase of \$116,700 in state grants to recognize the receipt of FEMA funds for the repair of the Montoyas Arroyo sewer line
- increase water revenue by \$507,000 based the revenue received in the first five months of the fiscal year.

Utility Fund Expenditures: The recommendations for expenditures are primarily related to the following:

- increase of \$43,600 in professional services to finalize construction specifications and GIS plan development and implementation
- decrease water production supplies by \$101,000 as the quantity of the chemicals used in arsenic treatment has been less than budgeted
- increase transfer to the Water Capital Fund (Fund 540) by \$839,192 due to a decrease in federal grant revenues caused by an accounting error in a prior year
- increase of \$380,000 in repair & maintenance for the Transmission & Distribution cost center to repair service lines, main lines and sewer laterals
- repair & maintenance was increased \$180,000 in the Wastewater Treatment cost center for repairs to the wastewater treatment plants and lift stations
- increase of \$30,000 to purchase a vehicle used for meter reading and other daily tasks performed by the City's Utility Service Technicians
- decrease Army Corp of Engineers Federal Grant revenues (Fund 540) \$1,249,715
 as the revenue rolled forward was received in the prior fiscal year and to reflect
 the Army Corps of Engineers in-kind expenses for the Well 10 arsenic removal
 project
- decrease water impact fee revenues (Fund 545) in the amount of \$32,705 based on development activity and revenues received for the first five months of the fiscal year
- increase in state/loan proceeds by \$9,335,000 to recognize funds received from the New Mexico Finance Authority for the purchase of water rights and related expenses
- decrease in wastewater impact fee revenues (Fund 555) by \$40,852 based on development activity and revenues received for the first five months of the fiscal year

Utility Fund Ending Fund Balance (EFB): The City's Utility has an "Unreserved" balance of \$3,779,493 to deal with unanticipated expenditures that can occur with the operation of a Water and Wastewater Utility.

In summary, signs of economic recovery can be seen in the City's mid-year budget, though areas of weakness are also still impacting the City's finances. The City will continue to maintain a sustainable budget by focusing on the long-term outlook for the City. We will do this by continuing to implement cost savings measures and focusing on increasing revenues through retail recruitment, economic base job recruitment, shop local initiatives, and enhanced revenue collections.

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James C. Jimenez, City Manager

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